

AMENDED IN ASSEMBLY JUNE 15, 2006

AMENDED IN SENATE MAY 10, 2006

AMENDED IN SENATE MARCH 30, 2006

SENATE BILL

No. 1448

Introduced by Senator Kuehl

February 23, 2006

An act to amend Section 14166.21 of, and to add and repeal Part 3.5 (commencing with Section 15900) of Division 9 of, the Welfare and Institutions Code, relating to health care, *making an appropriation therefor*, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1448, as amended, Kuehl. Health care: Medi-Cal: uninsured persons.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and which provides health care services to qualified low-income recipients. The Medi-Cal program is partially governed and funded by federal Medicaid provisions. Existing law, the Hospital/Uninsured Care Demonstration Project Act, implements that portion of a specified federally approved Medicaid demonstration project waiver relating to hospital funding.

Existing law establishes the Health Care Support Fund, which is continuously appropriated to the department for specified purposes related to the implementation of the above demonstration project waiver.

This bill would implement that portion of the federally approved demonstration project waiver relating to the expansion of Medi-Cal managed care enrollment and the extension of health care coverage to individuals currently uninsured. The bill would, in implementation of that waiver and subject to federal financial participation, enact the Health Care Coverage Initiative ~~Act~~ for the purpose of extending health care coverage to those individuals. The bill would require that the initiative be designed and implemented to achieve specified outcomes, including expanding the number of Californians who have health care coverage. ~~The bill would prohibit the use of state General Fund moneys to fund the initiative.~~ It would require the department to ~~award~~ *allocate* the federal funds ~~made available from the Health Care Support Fund to fund the initiative,~~ and to ~~make awards to select participating~~ programs that best meet the requirements and desired outcomes of the initiative. The bill would provide that a county, city and county, ~~or region~~ *consortium* of more than one county ~~or health authority~~ is eligible to apply for the initiative funds, would specify application requirements, and would require the department to ~~make awards to select~~ at least ~~3~~ 5 entities and to seek to balance the ~~awards~~ *allocations* throughout geographic areas of the state. ~~Awards~~ *Allocations* would be made for a 3-year period, and grantees would be required to provide local ~~matching~~ funds necessary to claim federal funds. The bill would require that federal funds under the initiative supplement, and not supplant, funds that would otherwise be used for health care services, and would limit the amount of funds that may be used for program administration.

The bill would require the ~~Legislative Analyst~~ *department*, in *consultation* to evaluate the initiative, and would require the department to monitor the programs funded under the initiative for compliance with applicable requirements.

The bill would provide that the provisions governing the initiative shall become inoperative on the date that the director executes a declaration stating that the federal demonstration project waiver has been terminated by the federal Centers for Medicare and Medicaid Services, and shall, 6 months after the date the declaration is executed, be repealed.

This bill would appropriate \$200,000 from the General Fund and \$200,00 from the Federal Trust Fund to the State Department of Health Services for these purposes.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 14166.21 of the Welfare and
2 Institutions Code is amended to read:

3 14166.21. (a) The Health Care Support Fund is hereby
4 established in the State Treasury. Notwithstanding Section 13340
5 of the Government Code, the fund shall be continuously
6 appropriated to the department for the purposes specified in this
7 article.

8 (b) Amounts in the Health Care Support Fund shall be paid in
9 the following order of priority:

10 (1) To hospitals for services rendered to Medi-Cal
11 beneficiaries and the uninsured in an amount necessary to meet
12 the aggregate baseline funding amount, or the adjusted aggregate
13 baseline funding amount for project years after the 2005-06
14 project year, as specified in subdivision (d) of Section 14166.5,
15 subdivision (b) of Section 14166.13, and Section 14166.18,
16 taking into account all other payments to each hospital under this
17 article. If the amount in the Health Care Support Fund is
18 inadequate to provide full aggregate baseline funding, or adjusted
19 aggregate baseline funding, to all designated public hospitals,
20 project year private DSH hospitals, and nondesignated public
21 hospitals, each group's payments shall be reduced pro rata.

22 (2) To the extent necessary to maximize federal funding under
23 the demonstration project and consistent with Section 14166.22,
24 the department may obtain safety net care pool funds based on
25 health care expenditures incurred by the department for
26 uncompensated medical care costs of medical services provided
27 to uninsured individuals, as approved by the federal Centers for
28 Medicare and Medicaid Services. ~~These expenditures shall~~
29 ~~include those incurred under the Health Care Coverage Initiative~~
30 ~~established pursuant to Part 3.5 (commencing with Section~~
31 ~~15900).~~

32 (3) Stabilization funding, allocated and paid in accordance
33 with Sections 14166.75, 14166.14, and 14166.19.

1 (c) Any amounts remaining after final reconciliation of all
2 amounts due at the end of a project year shall remain available
3 for payments in accordance with this section in the next project
4 year.

5 (d) The fund shall include any interest that accrues on amounts
6 in the fund.

7 SEC. 2. Part 3.5 (commencing with Section 15900) is added
8 to Division 9 of the Welfare and Institutions Code, to read:

9
10 PART 3.5. HEALTH CARE COVERAGE INITIATIVE

11
12 15900. The Legislature finds and declares the following:

13 (a) Approximately 21 percent of nonelderly Californians lack
14 health insurance coverage. Many are low-income individuals
15 who are not eligible for existing public health coverage
16 programs.

17 (b) California will receive one hundred eighty million dollars
18 (\$180,000,000) in federal funds for three years to fund a Health
19 Care Coverage Initiative for uninsured individuals. These funds
20 are to be provided pursuant to the Special Terms and Conditions
21 of California's Section 1115 Medicaid demonstration project
22 waiver number 11-W-00193/9 relating to hospital financing and
23 health coverage expansion.

24 (c) California's health care safety net system plays an essential
25 role in delivering critical health services to low-income
26 individuals.

27 (d) Local governments have the unique ability to design health
28 service delivery models that meet the needs of their diverse
29 populations and build on local infrastructures.

30 15901. (a) There is hereby established the Health Care
31 Coverage Initiative to expand health care coverage to
32 low-income uninsured individuals in California.

33 (b) The Health Care Coverage Initiative shall operate pursuant
34 to the Special Terms and Conditions of California's Section 1115
35 Medicaid demonstration project waiver number 11-W-00193/9
36 relating to hospital financing and health coverage expansion that
37 became effective September 1, 2005. The initiative shall be
38 implemented only to the extent that federal financial participation
39 is available.

1 15902. (a) Persons eligible to be served by the Health Care
2 Coverage Initiative are low-income uninsured individuals who
3 are not currently eligible for the Medi-Cal program, Healthy
4 Families Program, or Access for Infants and Mothers program.

5 (b) Funding for the Health Care Coverage Initiative shall be
6 used to expand health care coverage for eligible uninsured
7 individuals. *For purposes of this part, the term “uninsured” shall*
8 *have the same meaning as that term has in the special terms and*
9 *conditions issued by the federal Centers for Medicare and*
10 *Medicaid Services for the demonstration project as described in*
11 *subdivision (b) of Section 15900.*

12 (c) Any expansion of health care coverage for uninsured
13 individuals shall not diminish access to health care available for
14 other uninsured individuals, including access through public
15 hospitals, county clinics, or community clinics.

16 ~~(d) The Health Care Coverage Initiative shall not be~~
17 ~~considered a state entitlement program.~~

18 *(d) Services provided under the Health Care Coverage*
19 *Initiative shall be available solely to those eligible uninsured*
20 *individuals enrolled in a Health Care Coverage program, and*
21 *nothing in this part shall be construed to create an entitlement*
22 *program of any kind.*

23 (e) No state General Fund moneys shall be used to fund the
24 Health Care Coverage Initiative, *nor to fund any related*
25 *administrative costs provided to counties.*

26 15903. The Health Care Coverage Initiative shall be designed
27 and implemented to achieve all of the following outcomes:

28 (a) Expand the number of Californians who have health care
29 coverage.

30 (b) Strengthen and build upon the local health care safety net
31 system, including public hospitals, county clinics, and
32 community clinics.

33 (c) Improve access to high quality health care and health
34 outcomes for individuals.

35 (d) Create efficiencies in the delivery of health services that
36 could lead to savings in health care costs.

37 (e) Provide grounds for long-term sustainability of the
38 programs funded under the initiative.

39 (f) Implement programs in an expeditious manner in order to
40 meet federal requirements regarding the timing of expenditures.

1 15904. (a) The State Department of Health Services shall
2 issue a request for applications for funding the Health Care
3 Coverage Initiative.

4 ~~(b) The department shall award the funds made available from~~
5 ~~the Health Care Support Fund established pursuant to Section~~
6 ~~14166.21 to fund the initiative.~~

7 *(b) The department shall allocate the federal funds for Health*
8 *Care Coverage programs.*

9 (c) The department shall ~~make awards to select the Health~~
10 *Care Coverage* programs that best meet the requirements and
11 desired outcomes set forth in this part.

12 (d) The following elements shall be used in evaluating the
13 ~~proposals for award and in the determination of the allocation of~~
14 *proposals to make selections and to determine the allocation of*
15 *the available funds:*

16 (1) Enrollment processes, with an identification system to
17 demonstrate enrollment *of the uninsured* into the Health Care
18 Coverage Initiative.

19 (2) Use of a medical record system, which may include
20 electronic medical records.

21 (3) Designation of a medical home and ~~processes used to~~
22 ~~assign~~ *assignment* of eligible individuals to a primary care
23 provider. For purposes of this paragraph, “medical home” means
24 a single provider or facility that maintains all of an individual’s
25 medical information. *The primary care provider shall be a*
26 *provider from which the enrollee can access primary and*
27 *preventive care.*

28 (4) Provision of a benefit package of services, including
29 preventive and primary care services, and care management
30 services designed to treat individuals with chronic health care
31 conditions, mental illness, or who have high costs associated with
32 their medical conditions, to improve their health and decrease
33 future costs. *Benefits may include case management services.*

34 (5) Quality monitoring processes to assess the health care
35 outcomes of individuals enrolled in the Health Care Coverage
36 ~~Initiative project.~~ *program.*

37 (6) Promotion of the use of preventive services and early
38 intervention.

39 (7) The provision of care to Medi-Cal beneficiaries by the
40 ~~contracting entity~~ *applicant* and the degree to which the entity

1 coordinates its care with services provided to Medi-Cal
2 beneficiaries.

3 (8) Screening and enrollment processes for individuals who
4 may qualify for enrollment into Medi-Cal, ~~Healthy Families, and~~
5 ~~Access for Infants and Mothers the Healthy Families Program,~~
6 ~~and the Access for Infants and Mothers Program~~ prior to
7 enrollment into the Health Care Coverage ~~Initiative project~~
8 ~~program~~.

9 (9) The ability to demonstrate how the Health Care Coverage
10 ~~Initiative program~~ will promote the viability of the existing
11 safety net health care system.

12 (10) Documentation to support ability to implement the Health
13 Care Coverage ~~Initiative program~~ by September 1, 2007, and to
14 use their allocation for each project year.

15 (e) Entities eligible to apply for the initiative funds are a
16 county, city and county, ~~or~~ consortium of counties serving a
17 region consisting of more than one county, *or health authority*.
18 *No entity shall submit more than one proposal.*

19 ~~(f) The department shall make awards to at least three entities.~~

20 *(f) The department shall rank the program applications based*
21 *on the criteria in this section. Funding shall be allocated based*
22 *upon the ranking of the applications. The department shall*
23 *allocate the federal funding to the highest ranking applications*
24 *until all of the funding is allocated. The department shall select*
25 *at least five programs, and no single program shall receive an*
26 *allocation greater than 30 percent of the total federal allotment.*
27 *The department is not required to fund the entire amount*
28 *requested in a program application.*

29 (g) The department shall seek to balance the ~~awards~~
30 ~~allocations~~ throughout geographic areas of the state.

31 (h) Each county, city and county, ~~or~~ consortium of counties, *or*
32 *health authority* that is ~~awarded~~ *selected to receive* funding shall
33 provide the necessary local ~~matching funds consisting of certified~~
34 ~~public expenditures to funds for the nonfederal share of the~~
35 ~~certified public expenditures required to claim the federal funds~~
36 made available from the ~~Health Care Support Fund federal~~
37 ~~allotment~~. The certified public expenditures shall meet the
38 requirements of the Special Terms and Conditions of California's
39 Section 1115 Medicaid demonstration project waiver number

1 11-W-00193/9 relating to hospital financing and health coverage
2 expansion that became effective September 1, 2005.

3 (i) ~~Each award granted~~ *The federal allocation* shall be
4 available to the ~~awarded entity~~ *selected programs* for the
5 three-year period covering the Health Care Coverage Initiative
6 ~~project as per program pursuant to~~ the Special Terms and
7 Conditions of California's Section 1115 Medicaid demonstration
8 project waiver number 11-W-00193/9 relating to hospital
9 financing and health coverage expansion. ~~Awardees, unless the~~
10 ~~selected programs do not incur expenditures sufficient to claim~~
11 ~~the allocation of federal funds in the particular program year.~~
12 *Selected programs* shall expend the funds according to an
13 expenditure schedule determined by the department.

14 (j) The department may reallocate the available federal funds
15 ~~among the awarded counties, cities and counties, or regions of~~
16 ~~counties receiving funding among selected programs or other~~
17 ~~program applicants that were previously not selected for funding,~~
18 if necessary to meet federal requirements regarding the timing of
19 expenditures. ~~If an awarded entity, notwithstanding subdivision~~
20 ~~(f). If a selected program~~ fails to substantially comply with the
21 requirements of this article, the department may reallocate the
22 available federal funds ~~to other counties, cities and counties, or~~
23 ~~regions of counties that are receiving funds. Entities receiving~~
24 ~~reallocated funds must from that selected program to other~~
25 ~~selected programs or other program applications that previously~~
26 ~~were not selected for funding. If a selected program is unable to~~
27 ~~meet its spending targets, determined at the end of the second~~
28 ~~quarter of each program year, the department may reallocate~~
29 ~~funds to other selected programs or other program applications~~
30 ~~that previously were not selected for funding, to ensure that all~~
31 ~~available federal funds are claimed. Selected programs receiving~~
32 ~~reallocated funds must have the ability to provide the necessary~~
33 ~~local matching funds consisting of funds for the nonfederal share~~
34 ~~of the certified public expenditures.~~

35 (k) Federal funds provided for the initiative shall supplement,
36 and not supplant, any county, city and county, *health authority*,
37 state, or federal funds that would otherwise be spent on health
38 care services in the ~~awarded county, city and county, or~~
39 ~~consortium of counties. county, city and county, consortium of~~
40 ~~counties, or a health authority region. The selected county, city~~

1 *and county, consortium of counties, or health authority shall not*
2 *reduce current health care levels of financial effect, eligibility,*
3 *benefits, or services. Administrative costs shall not be paid from*
4 *a the Health Care Coverage Initiative project program allocation,*
5 *and any allocations for administrative funds shall be in addition*
6 *to the allocations made for the initiative. A county, city and*
7 *county, or region of counties shall expend an amount equal to not*
8 *more than 5 percent of its grant award on administrative costs.*

9 15905. Applications submitted to the department shall
10 include, but not be limited to, each of the following:

11 (a) A description of the proposed health care coverage
12 ~~program, including eligibility criteria and screening and~~
13 ~~enrollment processes.~~ *program, including, but not limited to, all*
14 *of the following:*

15 (1) *Eligibility criteria.*

16 (2) *Screening and enrollment processes that include an*
17 *identification system to demonstrate enrollment into the Health*
18 *Care Coverage program.*

19 (3) *Screening processes to identify individuals who may*
20 *qualify for enrollment into Medi-Cal, the Healthy Families*
21 *Program, or the Access for Infants and Mothers Program.*

22 (b) A description of the quality monitoring system to be
23 implemented with the health care coverage ~~project~~ *program.*

24 (c) A description of the population to be served.

25 (d) A list of health care providers who have agreed to
26 participate in the *Health Care Coverage* program.

27 (e) A description of the organized health care delivery systems
28 to be used for the health care coverage ~~project~~ *program,*
29 *including, but not limited to, designation of a medical home and*
30 *processes used to assign eligible individuals to a primary care*
31 *provider.*

32 (f) A list of the health benefits to be provided, including the
33 preventive and primary care services *and how they will be*
34 *promoted.*

35 (g) A description of the care management services to be
36 provided, and the providers of those services.

37 (h) A calculation of the average cost per individual served.

38 (i) The number of individuals to be served.

39 (j) ~~The mechanism for the county, city and county, or region~~
40 ~~of counties to distribute the funds to providers and other entities.~~

1 (j) *The mechanism for the proposed Health Care Coverage*
2 *program to distribute the funds to providers and other entities,*
3 *including, but not limited to, documentation to support the ability*
4 *to implement the Health Care Coverage program by September*
5 *1, 2007, and to use its allocation for each program year.*

6 (k) A description of the source of the local nonfederal share of
7 funds.

8 (l) A description of how the ~~project~~ *proposed Health Care*
9 *Coverage program* will strengthen the local health care safety net
10 system.

11 (m) A consent form signed by the applicant to provide
12 requested data elements as required per the Special Terms and
13 Conditions of California's Section 1115 Medicaid demonstration
14 project waiver number 11-W-00193/9 relating to hospital
15 financing and health coverage expansion.

16 (n) *Use of a reliable medical record system, that may include,*
17 *but need not be limited to, existing electronic medical records.*

18 (o) *A complete description of health care services currently*
19 *provided to Medi-Cal beneficiaries and a description as to how*
20 *the proposed Health Care Coverage program will coordinate its*
21 *Health Care Coverage program with services provided to*
22 *Medi-Cal beneficiaries.*

23 15906. (a) ~~The Legislative Analyst~~ *department* shall seek
24 partnership with an independent, nonprofit group or foundation,
25 an academic institution, or a governmental entity providing
26 grants for health-related activities, to evaluate the programs
27 funded under the initiative.

28 (b) The evaluation shall, at a minimum, include an assessment
29 of the extent to which the programs have met the outcomes listed
30 in Section 15903.

31 (c) The department and the ~~awarded entities~~ *selected programs*
32 shall provide the data for the evaluation.

33 (d) The evaluation shall be submitted concurrently to the
34 appropriate policy and fiscal committees of the Legislature and to
35 the Secretary of Health and Human Services.

36 ~~(e) No state General Fund moneys or federal Health Care~~
37 ~~Coverage Initiative funds shall be used to fund the evaluation.~~

38 15907. (a) The department shall monitor the programs
39 funded under the initiative for compliance with applicable federal
40 requirements and the requirements under this part, and pursuant

1 to the Special Terms and Conditions of California's Section 1115
2 Medicaid demonstration project waiver number 11-W-00193/9
3 relating to hospital financing and health coverage expansion.

4 (b) To the extent necessary to implement this part, the
5 department shall submit, by September 1, 2006, to the federal
6 Centers for Medicare and Medicaid Services, proposed waiver
7 amendments on the structure of, and eligibility and benefits
8 under, the Health Care Coverage Initiative.

9 (c) The department shall monitor the ~~awards allocations to~~
10 ~~selected programs~~ at least quarterly for spending levels. ~~If a~~
11 ~~grantee is unable to meet its spending targets, the department~~
12 ~~may reallocate funds to other grantees in order to prevent federal~~
13 ~~funds from reverting from the state to the federal government.~~

14 (d) No funds made available from the Health Care Support
15 Fund for the Health Care Coverage Initiative ~~may be used for~~
16 ~~administration by the department.~~ *shall be used by the*
17 *department for administration.*

18 ~~(e) Contracts awarded to a county, city and county, or region~~

19 (e) *The request for applications, including any part of the*
20 *process described herein for selecting entities to operate the*
21 *Health Care Coverage programs, and any agreements entered*
22 *into with a county, city and county, consortium of counties, or*
23 *health authority pursuant to this part shall not be subject to Part 2*
24 *(commencing with Section 10100) of Division 2 of the Public*
25 *Contract Code.*

26 (f) The department may adopt regulations to implement this
27 part. These regulations may initially be adopted as emergency
28 regulations in accordance with the rulemaking provisions of the
29 Administrative Procedure Act (Chapter 3.5 (commencing with
30 Section 11340) of Part 1 of Division 3 of Title 2 of the
31 Government Code). For purposes of this part, the adoption of
32 regulations shall be deemed an emergency and necessary for the
33 immediate preservation of the public peace, health, and safety or
34 general welfare. Any emergency regulations adopted pursuant to
35 this section shall not remain in effect subsequent to the date that
36 this part is repealed pursuant to Section 15908.

37 (g) As an alternative *to subdivision (f)*, and notwithstanding
38 the rulemaking provisions of Chapter 3.5 (commencing with
39 Section 11340) of Part 1 of Division 3 of Title 2 of the
40 Government Code, or any other provision of law, the department

1 may implement and administer this part by means of provider
2 bulletins, county letters, manuals, or other similar instructions,
3 without taking regulatory action. The department shall notify the
4 fiscal and appropriate policy committees of the Legislature of its
5 intent to issue a provider bulletin, county letter, manual, or other
6 similar instruction, at least five days prior to issuance. In
7 addition, the department shall provide a copy of any provider
8 bulletin, county letter, manual, or other similar instruction issued
9 under this paragraph to the fiscal and appropriate policy
10 committees of the Legislature.

11 (h) The department shall consult with interested parties and
12 appropriate stakeholders regarding the implementation and
13 ongoing administration of this part.

14 15908. This part shall become inoperative on the date that the
15 director executes a declaration, which shall be retained by the
16 director and provided to the fiscal and appropriate policy
17 committees of the Legislature, stating that the federal
18 demonstration project provided for in this part has been
19 terminated by the federal Centers for Medicare and Medicaid
20 Services, and shall, six months after the date the declaration is
21 executed, be repealed.

22 *SEC. 2. There is hereby appropriated the sum of two hundred*
23 *thousand dollars (\$200,000) from the General Fund and the sum*
24 *of two hundred thousand dollars (\$200,000) from the Federal*
25 *Trust Fund, to the State Department of Health Services for*
26 *expenditure purposes for the Health Care Coverage Initiative*
27 *established pursuant to Part 3.5 (commencing with Section*
28 *15900) of Division 9 of the Welfare and Institutions Code, to*
29 *fund State Department of Health Services staff positions to*
30 *support activities related to the implementation, monitoring, and*
31 *continuous operation, oversight and reporting on financial and*
32 *other components of the Health Care Coverage Initiative in*
33 *compliance with federal requirements, and the requirements of*
34 *the Special Terms and Conditions of California's Section 1115*
35 *Medi-Cal Hospital/Uninsured Care Demonstration, Number*
36 *11-W-00193/9.*

37 ~~SEC. 2.~~

38 *SEC. 3.* This act is an urgency statute necessary for the
39 immediate preservation of the public peace, health, or safety

1 within the meaning of Article IV of the Constitution and shall go
2 into immediate effect. The facts constituting the necessity are:
3 In order to implement the federal Medicaid demonstration
4 project waiver number 11-W-00193/9 and to ensure that
5 uninsured individuals who need health care receive that care at
6 the earliest possible time, it is necessary that this act take effect
7 immediately.

O